

EAGLE-PICHER INDUSTRIES, INC.

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ANNUAL REPORT 1967

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SUPERFUND RECORDS

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EAGLE-PICHER INDUSTRIES, INC.

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1967



GENERAL OFFICE CINCINNATI OHIO

PLANTS

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EAGLE-PICHER INDUSTRIES, INC

TO OUR SHAREHOLDERS

Net sales net income before and after taxes and net income per share were at all time highs in 1967

Net sales for the fiscal year ending November 30 1967 were \$179,419,728 compared with \$170,913,863 for the fiscal year ending November 30 1966

Net income in 1967 was \$8,610,036 equivalent to \$3.86 per share compared with \$7,358,431 or \$3.51 per share in 1966

Dividends of \$1.40 per share and \$1.35 per share

were paid in 1967 and 1966 respectively

The Company's financial position at the year end remained exceptionally strong

During the year Wolverine Fabricating & Manufacturing Co. and Markey Bronze Corporation were acquired and were accounted for as poolings of interests

The year 1967 was a very significant one for Eagle Picher Industries Inc. Net income con

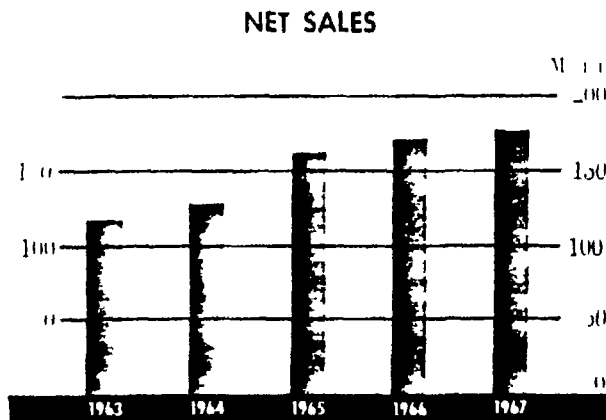
THE FIVE YEARS 1963-1967

YEAR ENDED NOVEMBER 30	NET SALES	NET INCOME BEFORE TAXES	NET INCOME	NET INCOME PER SHARE
1963	\$116,183,896	\$ 6,690,826	\$3,575,826	\$1.77
1964	130,674,203	7,611,088	4,311,088	2.11
1965	164,155,507	9,677,783	5,777,783	2.66
1966	170,913,863	12,358,431	7,358,431	3.51
1967	179,419,728	14,710,036	8,610,036	3.86

tinued its upward trend of the past six years despite many adverse developments principally interrupted production because of strikes or work stoppages and reduction of inventories in industries which we serve. Nevertheless the Company achieved an increase in net income per share a major part of which resulted from internal operations which we believe demonstrates that Eagle Picher is no longer dependent upon a particular industry nor is necessarily vulnerable to the degree of economic adjustment experienced in 1967.

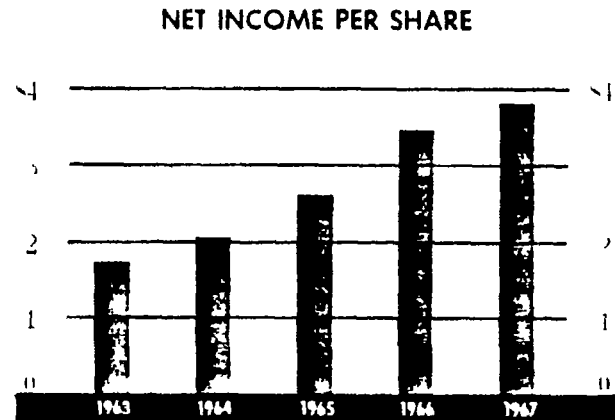
SALES AND INCOME

Both sales and net income established record highs for the fiscal year ended November 30, 1967. Net sales were \$179,419,728 in 1967 and \$170,913,863 in 1966. Net income before taxes rose to \$14,710,036 compared with \$12,358,431 the previous year. Net income was \$8,610,036 and \$7,358,431 in the two years, respectively. The two relatively small acquisitions made during 1967 discussed below accounted for more than the sales increase and approximately 3 per cent of net income per common share.



Net income per share was \$3.86 in 1967 compared with \$3.51 in 1966. The base for the 1967 calculation was 2,100,523 common shares, the average number outstanding during the year, whereas for 1966 the base was 1,998,972 shares outstanding at fiscal year end. In computing net income per share in 1967, we have used the average number of shares as a base to be consistent with what is becoming general practice. Either

base method could have been used in 1967 or 1966 with very little effect on net income per share.



The improvement in net income which was internally generated was a result of growth in a number of product areas plus continued emphasis on raising profit margins. The Company's overall profit margin of 4.8 per cent for 1967 was an increase over the 4.3 per cent achieved in 1966, but is still not up to the margins which we believe attainable and therefore better margins will continue to receive emphasis throughout the Company.

CASH AND GROWTH

The Company ended fiscal 1967 with \$16,718,781 in cash and marketable securities, essentially unchanged from the previous year.

Cash flow (the sum of net income plus provisions for depreciation, depletion, and deferred income taxes) continued at a high and rising level. The total for 1967 was \$13,642,445 compared with \$12,225,919 the previous year.

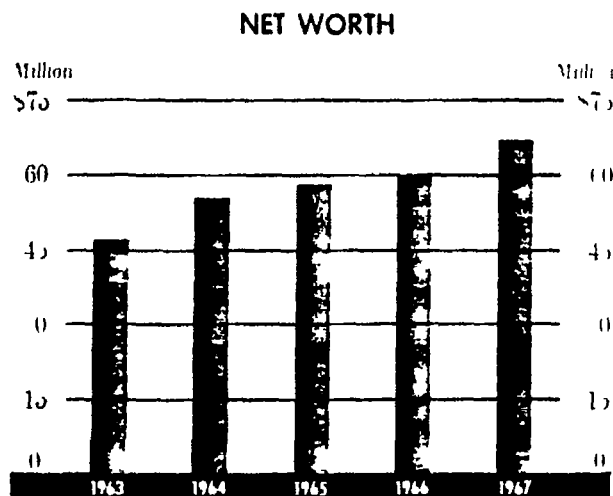
Due principally to expansion, capital expenditures have exceeded depreciation and depletion for several years. Currently we are planning a new plant in Seattle, Washington, which will give us additional space for fabricating steel wire products and we are expanding our diatomaceous earth production facilities at Colorado, Nevada, as well as several smaller additions and/or improvements at other locations.

We anticipate that continued growth of production facilities and working capital requirements

plus possible additional acquisitions will absorb much of our internally generated cash. Therefore to strengthen our cash position we have arranged to borrow an additional \$10 000 000 on July 15 1968. On that date we will refund the \$15 000 000 of 4 $\frac{7}{8}$ % notes presently outstanding and issue \$25 000 000 of 5 $\frac{1}{2}$ % notes due in 1988. Our total long term debt will then be \$31 000 000 including \$6 000 000 of 3 $\frac{3}{4}$ % notes plus a \$1 000 000 current installment.

CAPITAL STOCK AND ACQUISITIONS

Shareholders' net worth at November 30 1967 was \$67 622 200 an increase of \$7 762 086 over the previous year. Holders of convertible preference shares accounted for \$11 107 503 of this equity: \$6 607 557 in Series A and \$4 499 946 in Series B and common shareholders' equity amounted to \$56 514 697 equivalent to \$27.04 per share.



Approximately one fifth of the Series A preference shares which were issued in 1964 for the acquisition of The Akron Standard Mold Company have been converted and retired. The Series A shares receive \$1.40 annual dividend and each share is convertible into one and one tenth common shares. We anticipate additional conversions of the Series A shares during 1968 and expect to continue to use common shares purchased in the open market rather than issuing new shares to the extent feasible.

Common shares were issued during the year to acquire the Wolverine Fabricating & Manufacturing Co., a producer of custom gaskets principally cork or rubber on aluminum or steel. Wolverine's plants are located in Michigan.

The \$4 499 946 of Series B preference shares were issued to acquire the Markey Bronze Corporation a manufacturer of bronze bushings and brass components and alloys with plants in Ohio and California. Series B preference shares are entitled to \$1.35 annual dividend with each share convertible into two thirds of a common share.

Both Wolverine and Markey Bronze were accounted for on a poolings of interests basis. Their contribution to net income per share was not significant enough to make it desirable to restate the prior year's results.

The Company's common shares are quite widely held. The most important group is comprised of present and former employees and directors and members of their families who hold more than 25 per cent of our common shares — as well as approximately 75 per cent of the convertible preference shares.

DIVISIONS

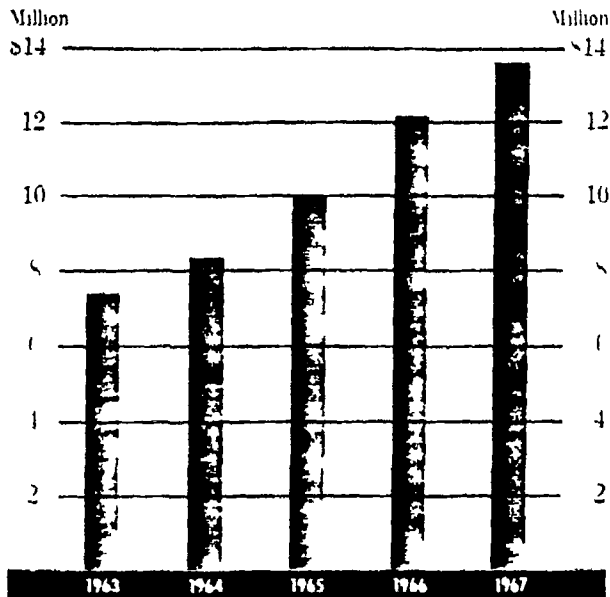
Eagle-Picher's twelve major profit centers are now organized into six divisions described below. They produce a wide variety of products sold principally to other manufacturers requiring the same general management talents and experience. Each of these divisions made a significant contribution to net income in 1967 and each offers good prospects for growth.

The Ceramics, Minerals and Plastics Division is composed of several diversified product groups. These include diatomaceous earth fillers, absorbents and filter aids, high temperature insulations, impregnated and molded plastic products, porcelain enamel frits and printed packaging materials.

The Chemicals and Metals Division produces agricultural micronutrients, copper concentrates, sulphuric acid, zinc and cadmium and zinc and lead chemicals.

The Electronics Division manufactures a broad line of electronic components and equipment, electronic materials, radio alarm and signal systems and special purpose batteries.

CASH FLOW



The Fabricated Metal Products Division manufactures alloys bronze and brass components steel wire and wire products and custom gaskets

The Machinery Equipment and Buildings Division produces pre-engineered porcelain enameled steel buildings specialized machinery testing equipment and tire building drums and molds

The Rubber Products Division is a manufacturer of custom molded and extruded rubber and rubber to metal products semi pneumatic industrial tires and wire and fabric ventilating hose

The General Office in Cincinnati is small having only about 40 people handling corporate affairs and providing the divisions with specialized help in accounting taxes insurance personnel recruiting, industrial relations and legal matters

OFFICERS AND DIRECTORS

Eagle-Picher lost a valued and respected director in the death of George A Spiva Mr Spiva President of the Spiva Investment Co was the leading citizen in Joplin Missouri the center of an important part of the Company's operations He was first elected to the Board of Directors in 1951 and was always available for help and advice and was called upon frequently for both

Mr Lauren R Reynolds, Jr President of The First National Bank of Joplin was elected a mem

ber of the Board of Directors to succeed Mr Spiva

During the year T Spencer Shore President since 1948 was elected Chairman of the Board and William D Atteberry previously Executive Vice President was elected President Mr Atteberry is 47 years old and has been with Eagle Picher since 1952 having held a series of division and General Office management positions

Also during 1967 Robert R Axelson Charles G Morgan George A Patterson Jr and Lester T Sharp were elected Vice Presidents Mr Patterson is in charge of industrial relations the others are managers of major operations

OUTLOOK

We are looking for another good year with further increases in sales and net income At present economic conditions appear to be more favorable than in 1967 and we hope that the Company will perform relatively better than general business Prospects are good for internal growth and further progress in overall profitability

We continue to be committed to a policy of concentrating in the areas of business we best understand Our diversity of product lines and success in making acquisitions five since 1964 have given us the reputation in some quarters of being a conglomerate To the extent that this description implies an aggressive management dedicated to growth in net income per share we welcome it But we still adhere to expansion in manufacturers manufacturing industries requiring the same talents and experience and therefore we may be excluded from the classification conglomerate Our philosophy of expansion remains the same as it has been for a number of years and our organization is dedicated to this philosophy

T Spencer Shore
Chairman of the Board

William D Atteberry
President

Cincinnati, Ohio
January 24 1968

EAGLE-PICHER INDUSTRIES, I**CONSOLIDATED BALANCE SHEETS**

ASSETS		
	<u>1967</u>	<u>1966</u>
CURRENT ASSETS		
Cash and marketable securities	\$ 16 718 781	\$ 16 673 682
Accounts and notes receivable less allowance for doubtful accounts	22 318 671	20 282 489
Inventories	29 769 391	23 858 916
Prepaid expenses	781 258	529 469
Total Current Assets	<u>69 588 101</u>	<u>61 344 506</u>
 INVESTMENTS, AT COST AND ADVANCES	 2 033 744	 1 742 039
 PROPERTY, PLANT AND EQUIPMENT — at cost less allowance for depreciation and depletion \$59 768 888 and \$55 939 974	 45 209 713	 40 751 968
 DEFERRED CHARGES	 1 433 930	 1 405 583
 PATENTS less amortization	 265 234	 419 877
 COST IN EXCESS OF BOOK VALUE OF ASSETS ACQUIRED	 <u>1 300 000</u>	 <u>1 300 000</u>
	<u><u>\$119 830 722</u></u>	<u><u>\$106 963 973</u></u>

See notes to

, AND DOMESTIC SUBSIDIARIES

AT NOVEMBER 30 1967 AND 1966

LIABILITIES		
	1967	1966
CURRENT LIABILITIES		
Accounts payable	\$ 13 347 608	\$ 10 664 728
Dividends payable	802 444	784 048
Accrued liabilities	5 994,714	5,512 479
Federal taxes on income	5 054 426	2 635 213
Long term debt — current portion	1 000 000	1 000 000
Total Current Liabilities	26 199 192	20 596 468
LONG TERM DEBT less current portion	21,000 000	22,000 000
DEFERRED FEDERAL TAXES ON INCOME	3,400 000	3 200 000
EMPLOYEE BENEFITS AND SELF INSURANCE RESERVES	1 609 330	1 307 391
SHAREHOLDERS EQUITY		
Preference shares	11 107 503	7 561 389
Common shares	10 475 000	10 338 270
Capital surplus	—	1 498 512
Retained earnings	46 230 148	42 547 137
	67 812 651	61 945 308
Less cost of treasury shares	190 451	2 085 194
Total Shareholders Equity	67 622 200	59 860 114
	\$119 830 722	\$106 963 973

EAGLE-PICHER INDUSTRIES, INC , AND DOMESTIC SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED NOVEMBER 30 1967 AND 1966

	<u>1967</u>	<u>1966</u>
INCOME		
Net sales	\$179 419 728	\$170 913 863
Other income	501 837	533 097
	<u>179 921 565</u>	<u>171 446 960</u>
COSTS AND EXPENSES		
Manufacturing and production costs	143 944 268	139 652 250
Selling and administrative expenses	15 736 502	14 369 136
Depreciation and depletion	4 832 409	4 467 488
Taxes on income	6 100 000	5 000 000
Interest net	698 350	599 655
	<u>171 311 529</u>	<u>164 088 529</u>
NET INCOME	<u>\$ 8 610 036</u>	<u>\$ 7 358 431</u>
Net income per common share	\$3 86	\$3 51
Dividends per common share	\$1 40	\$1 35

CONSOLIDATED STATEMENT OF RETAINED EARNINGS AND CAPITAL SURPLUS

	<u>Retained Earnings</u>	<u>Capital Surplus</u>
Balance November 30 1966	\$42 547 137	\$1 498 512
Net income	8 610 036	—
Additional capital arising from issuance of common shares	—	477 578
	<u>51 157 173</u>	<u>1 976 090</u>
Less Dividends		
Preference shares	307 108	—
Common shares	2 832 940	—
Net change arising from poolings of interests	1 786 977	1 976 090
	<u>4 927 025</u>	<u>1 976 090</u>
Balance November 30 1967	<u>\$46 230 148</u>	<u>\$ —</u>

See notes to financial statements

EAGLE-PICHER INDUSTRIES, INC., AND DOMESTIC SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30 1967

During 1967 the company acquired all of the capital stock of Wolverine Fabricating & Manufacturing Co. Inc. and Markey Bronze Corporation in exchange for its common and Series B preference shares. These acquisitions have been accounted for as poolings of interests. The prior year's financial statements have not been restated. See the letter to shareholders for comments concerning these transactions.

Inventories are stated at the lower of cost or market with the exception of certain quantities of lead and zinc valued under the base stock method at fixed prices which are lower than cost or market.

Long term debt includes \$7,000,000 of 3¾% notes payable \$1,000,000 annually to maturity in 1974 and \$15,000,000 of 4⅞% notes due in 1984 which will be refunded in 1968 in connection with the issuance of \$25,000,000 of 5½% notes payable in varying annual amounts from 1975 to 1988.

The notes including those to be issued in 1968 contain provisions which restrict among other things the amount that may be declared as cash dividends on common shares. Approximately \$10,000,000 of retained earnings at November 30, 1967 in addition to all future earnings is free of such restrictions.

There are 3,000,000 common shares authorized with a par value of \$5.00 per share. There were

2,090,105 and 1,998,972 shares outstanding at November 30, 1967 and 1966 respectively excluding 4,890 shares and 68,682 shares held in treasury at those respective dates.

There are 700,229 cumulative serial preference shares authorized with no par value. There were outstanding 200,229 and 229,133 shares of \$1.40 Series A at November 30, 1967 and 1966 respectively. At November 30, 1967 there were also outstanding 136,362 shares of \$1.35 Series B.

Each Series A preference share is convertible at any time into 1 1/10 common shares. The issue may not be redeemed by the company prior to June 15, 1969 from that date to June 15, 1974 it may be redeemed at \$36.00 per share and \$33.00 per share thereafter. The Series B preference shares are convertible at any time into two thirds of one common share. This issue may not be redeemed by the company prior to November 15, 1972 from that date to November 15, 1977 it may be redeemed at \$36.00 per share and \$33.00 per share thereafter.

Under a stock option plan approved by the shareholders there are options outstanding at November 30, 1967 to purchase 66,800 common shares at prices varying from \$21.00 to \$37.00 per share. Options for an additional 29,000 shares may be granted in the future.

ACCOUNTANTS' REPORT

PEAT MARWICK MITCHELL & CO
Certified Public Accountants
CINCINNATI, OHIO

THE BOARD OF DIRECTORS
EAGLE-PICHER INDUSTRIES, INC.

We have examined the consolidated balance sheet of Eagle-Picher Industries, Inc. and its domestic subsidiaries as of November 30, 1967 and the related statements of income and retained earnings and capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

January 22, 1968

In our opinion the accompanying consolidated balance sheet and consolidated statements of income and retained earnings and capital surplus present fairly the financial position of Eagle-Picher Industries, Inc. and its domestic subsidiaries at November 30, 1967 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT MARWICK MITCHELL & CO

FIVE-YEAR SUMMARY

SOURCE AND APPLICATION OF FUNDS FOR THE FISCAL YEARS 1963-1967

SOURCE		APPLICATION	
Net Income	\$29 633 164	Dividends Paid	\$14 425 080
Depreciation & Depletion	19 450 988	Capital Expenditures	40 401 431
Issuance of Preference Shares	8 813 310	Increase in Working Capital	13 124 773
Increase in Long Term Debt	10 000 000	Increase in Other Assets	1 054 117
Deferred Federal Income Taxes	2 480 000	Miscellaneous	1 372 061
	<u>\$70 377 462</u>		<u>\$70 377 462</u>

SUMMARY OF INCOME STATEMENTS

YEARS ENDED NOVEMBER 30	1967	1966	1965	1964	1963
Net Sales	\$179 419 728	\$170 913 863	\$164 155 507	\$130 674 203	\$116 183 896
Depreciation & Depletion	4 832 409	4 467 488	4 001 465	3 271 548	2 878 079
Income Before Federal Taxes	14 710 036	12 358 431	9 677 783	7 611 088	6 690 826
Net Income	8 610 036	7 358 431	5 777 783	4 311 088	3 575 826
Net Income Per Share	3 86	3 51	2 66	2 11	1 77
Dividend Per Share	1 40	1 35	1 20	1 20	1 20

SUMMARY OF BALANCE SHEETS

AS AT NOVEMBER 30	1967	1966	1965	1964	1963
Cash & Marketable Securities	\$16,718 781	\$16 673 632	\$13 236 897	\$13 291 788	\$ 8 038 066
Working Capital	43 388 909	40 748 038	36 487,854	37 378 111	32 029 849
Property Plant & Equipment net	45 209 713	40 751 968	37,939 891	35 778 092	24 587 132
Long Term Debt	21 000 000	22 000 000	17,500 000	18 500 000	10 000 000
Shareholders Equity	67 622 200	59 860,114	57 732 159	55 771 052	46 809 350
Equity Per Common Share	27 04	26 16	24 25	23 97	23 16

<div>DIVISIONS AND PRINCIPAL PRODUCTS</div>	<div>PRINCIPAL INDUSTRIES SERVED</div>
<div>CERAMICS MINERALS AND PLASTICS DIVISION</div> <div>Chicago Vitreous Corporation Fabricon Products Fibers and Minerals</div> <div>Diatomaceous earth products High temperature insulations Impregnated and molded plastic products Porcelain enamel frits Printed packaging materials</div>	<div>Appliances Construction Fertilizer Food and beverages Motor vehicles Pharmaceuticals Plumbing ware Recreation</div>
<div>CHEMICALS AND METALS DIVISION</div> <div>Agricultural micronutrients Copper concentrates Sulphuric acid Zinc and cadmium Zinc and lead chemicals</div>	<div>Ceramics Fertilizer Paint and colors Plastics Railroads Rubber Steel Storage batteries</div>
<div>ELECTRONICS DIVISION</div> <div>Electronic components and equipment Electronic materials Radio alarm and signal systems Special purpose batteries</div>	<div>Aerospace and defense Communications Computers Fire protection Nuclear reactors Railroads Television and radios Underwater exploration</div>
<div>FABRICATED METAL PRODUCTS DIVISION</div> <div>Davis Wire Corporation Markey Bronze Corporation Wolverine Fabricating & Manufacturing Co</div> <div>Bronze and brass components and alloys Custom gaskets Steel wire and wire products</div>	<div>Agriculture Appliances Construction Furniture Machinery and equipment Motor vehicles</div>
<div>MACHINERY EQUIPMENT AND BUILDINGS DIVISION</div> <div>The Akron Standard Mold Company Lusterlite Corporation</div> <div>Pre-engineered porcelain enameled steel buildings Specialized machinery Testing equipment Tire-building drums and molds</div>	<div>Construction Electronics Petroleum Plastics Rubber Testing laboratories</div>
<div>RUBBER PRODUCTS DIVISION</div> <div>The Ohio Rubber Company The Premier Rubber Manufacturing Company</div> <div>Custom molded and extruded rubber and rubber to metal products Semi pneumatic industrial tires Wire-and fabric ventilating hose</div>	<div>Agricultural equipment Appliances Defense Electrical equipment Lawn and garden equipment Motor vehicles</div>

EAGLE-PICHER INDUSTRIES, INC.

DIRECTORS

WILLIAM D ATTEBERRY
 DAVID M FORKER JR
 ALBERT E HEEKIN JR
 CARL F HERTENSTEIN
 DANIEL W LEBLOND
 STANLEY R MILLER
 HAROLD F NUNN
 LAUREN R REYNOLDS JR
 ARTHUR W SCHUBERT
 RICHARD SERVISS
 T SPENCER SHORE
 WALTER P VOTH
 WILLIAM H ZIMMER

OFFICERS

T SPENCER SHORE
 CHAIRMAN OF THE BOARD
 WILLIAM D ATTEBERRY
 PRESIDENT
 HAROLD F NUNN
 EXECUTIVE VICE PRESIDENT
 ROBERT R AXELSON
 VICE PRESIDENT
 CHARLES G MORGAN
 VICE PRESIDENT
 DONALD R CARTER
 VICE PRESIDENT
 GEORGE A PATTERSON JR
 VICE PRESIDENT
 MELVIN F CHUBB
 VICE PRESIDENT
 RICHARD SERVISS
 SECRETARY AND GENERAL COUNSEL
 JOHN C HEISLER
 VICE PRESIDENT AND TREASURER
 LESTER T SHARP
 VICE PRESIDENT
 JEFFERSON W HUDSON
 VICE PRESIDENT
 JAMES L WALKER
 VICE PRESIDENT
 LEROY A JOHNSON
 VICE PRESIDENT
 HAROLD E ANDERSON
 COMPTROLLER
 PHILIP D McMANUS
 VICE PRESIDENT
 CHARLES S DAUTEL
 ASSISTANT SECRETARY
 CORBIN E SHOUSE
 ASSISTANT SECRETARY

TRANSFER AGENTS Morgan Guaranty Trust Company of New York
 The Central Trust Company Cincinnati

REGISTRARS The Chase Manhattan Bank New York
 The Fifth Third Union Trust Company Cincinnati

